



## ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2022 - GENERELL INFORMASJON

### Enheten

Organisasjonsnummer: 991 061 312  
Organisasjonsform: Norskreg. utenlandsk foretak  
Foretaksnavn: AU NATUREL (UK) INC NORWAY  
Forretningsadresse: Kjelsåsveien 168 A  
0884 OSLO

### Regnskapsår

Årsregnskapets periode: 01.10.2021 - 30.09.2022

### Konsern

Morselskap i konsern: Nei

### Regnskapsregler

Regler for små foretak benyttet: Ja  
Benyttet ved utarbeidelsen av årsregnskapet til selskapet: Regnskapslovens alminnelige regler

### Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet: Kurt Jones  
Dato for fastsettelse av årsregnskapet: 22.06.2023

### Grunnlag for avgivelse

År 2022: Årsregnskapet er elektronisk innlevert  
År 2021: Tall er hentet fra elektronisk innlevert årsregnskap fra 2022

*Det er ikke krav til at årsregnskapet m.v. som sendes til Regnskapsregisteret er undertegnet. Kontrollen på at dette er utført ligger hos revisor/enhetens øverste organ. Sikkerheten ivaretas ved at innsender har rolle/rettighet for innsending av årsregnskapet via Altinn, og ved at det bekreftes at årsregnskapet er fastsatt av kompetent organ.*

Brønnøysundregistrene, 12.05.2024



### Resultatregnskap

Beløp i: USD	Note	2022	2021
<b>RESULTATREGNSKAP</b>			
<b>Inntekter</b>			
Salgsinntekt		295 994 000	351 556 000
<b>Sum inntekter</b>		<b>295 994 000</b>	<b>351 556 000</b>
<b>Kostnader</b>			
Varekostnad		154 421 000	168 879 000
Avskrivning av driftsmidler og immaterielle eiendeler		13 717 000	15 308 000
Annen driftskostnad		152 083 000	156 769 000
<b>Sum kostnader</b>		<b>320 221 000</b>	<b>340 956 000</b>
<b>Driftsresultat</b>		<b>-24 227 000</b>	<b>10 600 000</b>
Annen finanskostnad		40 471 000	31 782 000
<b>Sum finanskostnader</b>		<b>40 471 000</b>	<b>31 782 000</b>
<b>Netto finans</b>		<b>-40 471 000</b>	<b>-31 782 000</b>
<b>Ordinært resultat før skattekostnad</b>		<b>-64 698 000</b>	<b>-21 182 000</b>
Skattekostnad på resultat		-5 828 000	-4 593 000
<b>Ordinært resultat etter skattekostnad</b>		<b>-58 870 000</b>	<b>-16 589 000</b>
<b>Årsresultat</b>		<b>-58 870 000</b>	<b>-16 589 000</b>
<b>Årsresultat etter minoritetsinteresser</b>		<b>-58 870 000</b>	<b>-16 589 000</b>
<b>Totalresultat</b>		<b>-58 870 000</b>	<b>-16 589 000</b>
<b>Overføringer og disponeringer</b>			
Overført fra annen egenkapital		-58 870 000	-16 589 000
<b>Sum overføringer og disponeringer</b>		<b>-58 870 000</b>	<b>-16 589 000</b>



## Balanse

Beløp i: USD	Note	2022	2021
<b>BALANSE - EIENDELER</b>			
<b>Anleggsmidler</b>			
<b>Immaterielle eiendeler</b>			
Konsesjoner, patenter o.l.		101 123 000	115 669 000
Goodwill		152 202 000	153 085 000
<b>Sum immaterielle eiendeler</b>		<b>253 325 000</b>	<b>268 754 000</b>
<b>Varige driftsmidler</b>			
Tomter, bygninger o.a. fast eiendom		21 636 000	72 643 000
<b>Sum varige driftsmidler</b>		<b>21 636 000</b>	<b>72 643 000</b>
<b>Sum anleggsmidler</b>		<b>274 961 000</b>	<b>341 397 000</b>
<b>Omløpsmidler</b>			
<b>Varer</b>			
<b>Sum varer</b>		<b>78 900 000</b>	<b>84 634 000</b>
<b>Fordringer</b>			
Kundefordringer		28 229 000	42 475 000
Andre kortsiktige fordringer		4 957 000	7 008 000
<b>Sum fordringer</b>		<b>33 186 000</b>	<b>49 483 000</b>
<b>Bankinnskudd, kontanter og lignende</b>			
Bankinnskudd, kontanter o.l.		22 062 000	15 498 000
<b>Sum bankinnskudd, kontanter og lignende</b>		<b>22 062 000</b>	<b>15 498 000</b>
<b>Sum omløpsmidler</b>		<b>134 148 000</b>	<b>149 615 000</b>
<b>SUM EIENDELER</b>		<b>409 109 000</b>	<b>491 012 000</b>
<b>BALANSE - EGENKAPITAL OG GJELD</b>			
<b>Egenkapital</b>			
<b>Innskutt egenkapital</b>			
Aksjekapital		120 895 000	119 612 000



## Balanse

<b>Beløp i: USD</b>	<b>Note</b>	<b>2022</b>	<b>2021</b>
<b>Sum innskutt egenkapital</b>		<b>120 895 000</b>	<b>119 612 000</b>
<b>Opptjent egenkapital</b>			
Annen egenkapital		-136 456 000	-77 586 000
<b>Sum opptjent egenkapital</b>		<b>-136 456 000</b>	<b>-77 586 000</b>
<b>Sum egenkapital</b>		<b>-15 561 000</b>	<b>42 026 000</b>
<b>Gjeld</b>			
<b>Langsiktig gjeld</b>			
Utsatt skatt		5 603 000	12 510 000
<b>Sum avsetninger for forpliktelser</b>		<b>5 603 000</b>	<b>12 510 000</b>
<b>Annen langsiktig gjeld</b>			
Øvrig langsiktig gjeld		381 091 000	392 674 000
<b>Sum annen langsiktig gjeld</b>		<b>381 091 000</b>	<b>392 674 000</b>
<b>Sum langsiktig gjeld</b>		<b>386 694 000</b>	<b>405 184 000</b>
<b>Kortsiktig gjeld</b>			
Leverandørgjeld		37 976 000	43 802 000
<b>Sum kortsiktig gjeld</b>		<b>37 976 000</b>	<b>43 802 000</b>
<b>Sum gjeld</b>		<b>424 670 000</b>	<b>448 986 000</b>
<b>SUM EGENKAPITAL OG GJELD</b>		<b>409 109 000</b>	<b>491 012 000</b>



## Brønnøysundregistrene

### ÅRSREGNSKAP FOR REGNSKAPSÅRET 2022 - GENERELL INFORMASJON

Journalnummer: 2023 578059

#### Enheten

Organisasjonsnummer: 991 061 312  
Organisasjonsform: Norskreg. utenlandsk foretak  
Foretaksnavn: AU NATUREL (UK) INC NORWAY  
Forretningsadresse: Kjelsåsveien 168 A  
0884 OSLO

#### Regnskapsår

Årsregnskapets periode: 01.10.2021 - 30.09.2022

#### Konsern

Morselskap i konsern: Nei

#### Regnskapsregler

Regler for små foretak benyttet: Ja  
Benyttet ved utarbeidelsen av  
årsregnskapet til selskapet: Regnskapslovens alminnelige regler

#### Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet: Kurt Jones  
Dato for fastsettelse av årsregnskapet: 22.06.2023

#### Grunnlag for avgivelse

År 2022: Årsregnskap er elektronisk innlevert.  
År 2021: Tall er hentet fra elektronisk innlevert årsregnskap fra 2022.

*Det er ikke krav til at årsregnskapet m.v. som sendes til Regnskapsregisteret er undertegnet. Kontrollen på at dette er utført ligger hos revisor/enhetens øverste organ. Sikkerheten ivaretas ved at innsender har rolle/rettighet for innsending av årsregnskapet via Altinn, og ved at det bekreftes at årsregnskapet er fastsatt av kompetent organ.*

Brønnøysundregistrene, 11.07.2023



Organisasjonsnr: 991 061 312  
AU NATUREL (UK) INC NORWAY

## RESULTATREGNSKAP

<b>Beløp i: USD</b>	<b>Note</b>	<b>2022</b>	<b>2021</b>
<b>RESULTATREGNSKAP</b>			
<b>Inntekter</b>			
Salgsinntekt		295 994 000	351 556 000
<b>Sum inntekter</b>		<b>295 994 000</b>	<b>351 556 000</b>
<b>Kostnader</b>			
Varekostnad		154 421 000	168 879 000
Avskrivning av driftsmidler og immaterielle eiendeler		13 717 000	15 308 000
Annen driftskostnad		152 083 000	156 769 000
<b>Sum kostnader</b>		<b>320 221 000</b>	<b>340 956 000</b>
<b>Driftsresultat</b>		<b>-24 227 000</b>	<b>10 600 000</b>
Annen finanskostnad		40 471 000	31 782 000
<b>Sum finanskostnader</b>		<b>40 471 000</b>	<b>31 782 000</b>
<b>Netto finans</b>		<b>-40 471 000</b>	<b>-31 782 000</b>
<b>Ordinært resultat før skattekostnad</b>		<b>-64 698 000</b>	<b>-21 182 000</b>
Skattekostnad på resultat		-5 828 000	-4 593 000
<b>Ordinært resultat etter skattekostnad</b>		<b>-58 870 000</b>	<b>-16 589 000</b>
<b>Årsresultat</b>		<b>-58 870 000</b>	<b>-16 589 000</b>
<b>Årsresultat etter minoritetsinteresser</b>		<b>-58 870 000</b>	<b>-16 589 000</b>
<b>Totalresultat</b>		<b>-58 870 000</b>	<b>-16 589 000</b>
<b>Overføringer og disponeringer</b>			
Overført fra annen egenkapital		-58 870 000	-16 589 000
<b>Sum overføringer og disponeringer</b>		<b>-58 870 000</b>	<b>-16 589 000</b>



Organisasjonsnr: 991 061 312  
AU NATUREL (UK) INC NORWAY

## BALANSE

Beløp i: USD Note 2022 2021

### BALANSE - EIENDELER

#### Anleggsmidler

##### Immaterielle eiendeler

Konsesjoner, patenter o.l.	101 123 000	115 669 000
Goodwill	152 202 000	153 085 000
<b>Sum immaterielle eiendeler</b>	<b>253 325 000</b>	<b>268 754 000</b>

##### Varige driftsmidler

Tomter, bygninger o.a. fast eiendom	21 636 000	72 643 000
<b>Sum varige driftsmidler</b>	<b>21 636 000</b>	<b>72 643 000</b>

<b>Sum anleggsmidler</b>	<b>274 961 000</b>	<b>341 397 000</b>
--------------------------	--------------------	--------------------

#### Omløpsmidler

##### Varer

<b>Sum varer</b>	<b>78 900 000</b>	<b>84 634 000</b>
------------------	-------------------	-------------------

##### Fordringer

Kundefordringer	28 229 000	42 475 000
Andre kortsiktige fordringer	4 957 000	7 008 000
<b>Sum fordringer</b>	<b>33 186 000</b>	<b>49 483 000</b>

##### Bankinnskudd, kontanter og lignende

Bankinnskudd, kontanter o. l.	22 062 000	15 498 000
<b>Sum bankinnskudd, kontanter og lignende</b>	<b>22 062 000</b>	<b>15 498 000</b>

<b>Sum omløpsmidler</b>	<b>134 148 000</b>	<b>149 615 000</b>
-------------------------	--------------------	--------------------

<b>SUM EIENDELER</b>	<b>409 109 000</b>	<b>491 012 000</b>
----------------------	--------------------	--------------------

### BALANSE - EGENKAPITAL OG GJELD

#### Egenkapital

##### Innskutt egenkapital

Aksjekapital	120 895 000	119 612 000
<b>Sum innskutt egenkapital</b>	<b>120 895 000</b>	<b>119 612 000</b>

##### Opptjent egenkapital

Annen egenkapital	-136 456 000	-77 586 000
<b>Sum opptjent egenkapital</b>	<b>-136 456 000</b>	<b>-77 586 000</b>

<b>Sum egenkapital</b>	<b>-15 561 000</b>	<b>42 026 000</b>
------------------------	--------------------	-------------------



<b>Gjeld</b>		
<b>Langsiktig gjeld</b>		
Utsatt skatt	5 603 000	12 510 000
Sum avsetninger for forpliktelser	5 603 000	12 510 000
<b>Annen langsiktig gjeld</b>		
Øvrig langsiktig gjeld	381 091 000	392 674 000
<b>Sum annen langsiktig gjeld</b>	<b>381 091 000</b>	<b>392 674 000</b>
<b>Sum langsiktig gjeld</b>	<b>386 694 000</b>	<b>405 184 000</b>
<b>Kortsiktig gjeld</b>		
Leverandørgjeld	37 976 000	43 802 000
<b>Sum kortsiktig gjeld</b>	<b>37 976 000</b>	<b>43 802 000</b>
<b>Sum gjeld</b>	<b>424 670 000</b>	<b>448 986 000</b>
<b>SUM EGENKAPITAL OG GJELD</b>	<b>409 109 000</b>	<b>491 012 000</b>



Organisasjonsnr: 991 061 312  
AU NATUREL (UK) INC NORWAY

NOTEOPPLYSNINGER - SELSKAP - alle poster oppgitt i hele tall

## Note

Antall årsverk i regnskapsåret  
6.00

Sum Beløp

Balanseført verdi 31.12. Varige driftsmidler Immaterielle eiend.

## Konsernregnskap

Morselskapet sitt navn

Forretningskontor for morselskapet

## Begrunnelse for at datterselskap er utelatt fra konsolideringen

Samlet beløp - tilknyttet selskap Årets Fjorårets

Samlet beløp - foretak i samme konsern Årets Fjorårets

Samlet beløp - foretak i samme konsern Årets Fjorårets

Samlet beløp - felles kontrollert virksomhet Årets Fjorårets

Pantstillelse Beløp

Beholdning av egne aksjer Antall Pålydende Andel av aksjek.



# **The Better Being Co., LLC**

## **Consolidated Financial Statements**



**September 30, 2022 and 2021**



**INDEX TO FINANCIAL STATEMENTS**

	<u>Page(s)</u>
<b>Report of Independent Auditors</b> .....	2-3
<b>Consolidated Financial Statements</b>	
Consolidated Balance Sheets as of September 30, 2022 and 2021 .....	4
Consolidated Statements of Comprehensive Loss for the Years Ended September 30, 2022 and 2021	5
Consolidated Statements of Member's Equity for the Years Ended September 30, 2022 and 2021	6
Consolidated Statements of Cash Flows for the Years Ended September 30, 2022 and 2021	7
Notes to Consolidated Financial Statements .....	8- 22



### Report of Independent Auditors

To the Board of Directors of The Better Being Co., LLC

#### **Opinion**

We have audited the accompanying consolidated financial statements of The Better Being Co., LLC and its subsidiaries (the “Company”), which comprise the consolidated balance sheets as of September 30, 2022 and 2021, and the related consolidated statements of comprehensive loss, of member’s equity and of cash flows for the years then ended, including the related notes (collectively referred to as the “consolidated financial statements”).

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of September 30, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **Responsibilities of Management for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company’s ability to continue as a going concern for one year after the date the financial statements are available to be issued.

#### **Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional

---

PricewaterhouseCoopers LLP, One Utah Center, 201 South Main Street, Suite 900, Salt Lake City, UT 84111  
T: (801) 531 9666, [www.pwc.com/us](http://www.pwc.com/us)



omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

*PricewaterhouseCoopers LLP*

Salt Lake City, Utah  
November 16, 2022



**The Better Being Co., LLC**  
**Consolidated Balance Sheets**  
**As of September 30, 2022 and 2021**

<i>(in thousands of dollars)</i>	2022	2021
<b>Assets</b>		
Current assets		
Cash.....	\$ 22,062	\$ 15,498
Accounts receivable, net.....	28,229	42,475
Inventories, net.....	78,900	84,634
Prepaid expenses and other current assets.....	4,957	7,008
Total current assets.....	<u>134,148</u>	<u>149,615</u>
Property, plant and equipment, net .....	21,636	72,643
Goodwill .....	152,202	153,085
Intangible assets, net .....	100,102	113,840
Other non-current assets .....	1,021	1,829
Total assets .....	<u>\$ 409,109</u>	<u>\$ 491,012</u>
<b>Liabilities and Member's Equity</b>		
Current liabilities		
Accounts payable .....	\$ 16,088	\$ 25,615
Accrued expenses .....	11,783	8,187
Current portion of long-term debt .....	10,000	10,000
Other current liabilities .....	105	-
Total current liabilities .....	<u>37,976</u>	<u>43,802</u>
Long-term debt, net .....	354,796	392,674
Long-term debt, related party .....	24,299	-
Other long-term liabilities .....	1,996	-
Deferred tax liabilities, net .....	5,603	12,510
Total liabilities .....	<u>424,670</u>	<u>448,986</u>
Commitments and contingencies (Notes 9 and 14)		
Member's (deficit) equity		
Member's equity .....	120,895	119,612
Accumulated deficit .....	(135,122)	(78,427)
Accumulated other comprehensive (loss) income .....	(1,334)	841
Total member's (deficit) equity.....	<u>(15,561)</u>	<u>42,026</u>
Total liabilities and member's (deficit) equity .....	<u>\$ 409,109</u>	<u>\$ 491,012</u>

The accompanying notes are an integral part of these consolidated financial statements.



**The Better Being Co., LLC**  
**Consolidated Statements of Comprehensive Loss**  
**For the Years Ended September 30, 2022 and 2021**

<i>(in thousands of dollars)</i>	<u>2022</u>	<u>2021</u>
Net sales .....	\$ 295,994	\$ 351,556
Cost of sales .....	<u>154,421</u>	<u>168,879</u>
Gross profit .....	141,573	182,677
Operating expenses .....		
Distribution expense .....	34,501	34,669
Selling, general and administrative expense .....	117,582	116,513
Legal settlement expense .....	-	5,587
Amortization of intangible assets .....	13,520	14,552
Losses on disposals of property, plant and equipment .....	197	241
Impairment of held for-sale-assets .....	-	515
Total operating expenses .....	<u>165,800</u>	<u>172,077</u>
(Loss) income from operations .....	(24,227)	10,600
Interest expense .....	38,293	33,983
Other loss (income), net .....	3	(1,148)
Total interest and other expense, net .....	<u>38,296</u>	<u>32,835</u>
Loss before benefit for income taxes .....	(62,523)	(22,235)
Benefit for income taxes .....	<u>(5,828)</u>	<u>(4,593)</u>
Net loss .....	(56,695)	(17,642)
Other comprehensive (loss) income		
Foreign currency translation adjustment, net of tax .....	<u>(2,175)</u>	<u>1,053</u>
Comprehensive loss .....	<u>\$ (58,870)</u>	<u>\$ (16,589)</u>

The accompanying notes are an integral part of these consolidated financial statements.



**The Better Being Co., LLC**  
**Consolidated Statements of Member's Equity**  
**For the Years Ended September 30, 2022 and 2021**

<i>(in thousands of dollars)</i>	<b>Member's Equity</b>	<b>Accumulated Deficit</b>	<b>Accumulated Other Comprehensive Income (Loss)</b>	<b>Total Member's Equity (Deficit)</b>
<b>Balance at September 30, 2020</b> .....	\$ 100,541	\$ (60,785)	\$ (212)	\$ 39,544
Contribution of member's equity .....	17,500	-	-	17,500
Other comprehensive income .....	-	-	1,053	1,053
Stock-based compensation .....	1,571	-	-	1,571
Net loss .....	-	(17,642)	-	(17,642)
<b>Balance at September 30, 2021</b> .....	119,612	(78,427)	841	42,026
Other comprehensive loss .....	-	-	(2,175)	(2,175)
Stock-based compensation .....	1,283	-	-	1,283
Net loss .....	-	(56,695)	-	(56,695)
<b>Balance at September 30, 2022</b> .....	<u>\$ 120,895</u>	<u>\$ (135,122)</u>	<u>\$ (1,334)</u>	<u>\$ (15,561)</u>

The accompanying notes are an integral part of these consolidated financial statements.



**The Better Being Co., LLC**  
**Consolidated Statements of Cash Flows**  
**For the Years Ended September 30, 2022 and 2021**  
*(In thousands of dollars)*

	2022	2021
<b>Cash flows used in operating activities</b>		
Net loss .....	\$ (56,695)	\$ (17,642)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation and amortization .....	25,136	25,471
Amortization of deferred financing fees .....	1,307	1,260
Losses on disposals of property, plant and equipment .....	197	241
Impairment of held-for-sale assets .....	-	515
Stock-based compensation .....	1,283	1,571
Bad debt expense .....	265	277
Inventory obsolescence expense .....	9,736	7,485
Accrued related party PK interest .....	1,872	-
Deferred income taxes .....	(6,907)	(4,968)
Changes in assets and liabilities		
Accounts receivable, net .....	13,776	(14,198)
Inventories, net .....	(4,594)	(10,677)
Prepaid expenses and other current assets .....	2,712	(1,510)
Other non-current assets .....	42	(261)
Accounts payable .....	(9,304)	(2,442)
Accrued expenses .....	3,839	161
Stockholder litigation .....	-	228
Net cash used in operating activities .....	<u>(17,335)</u>	<u>(14,489)</u>
<b>Cash flows provided by investing activities</b>		
Proceeds from sales of property, plant and equipment .....	48,812	675
Proceeds from sales of assets held for sale .....	-	6,698
Purchases of property, plant and equipment .....	(7,830)	(6,228)
Net cash provided by investing activities .....	<u>40,982</u>	<u>1,145</u>
<b>Cash flows (used in) provided by financing activities</b>		
Proceeds from long-term debt .....	-	52,500
Proceeds from long-term debt, related party .....	22,427	-
Payments on long-term debt .....	(46,360)	(7,500)
Proceeds from revolving credit facility .....	8,500	16,500
Payments on capital lease obligation .....	(243)	(246)
Payments of financing fees .....	(1,220)	(141)
Payments for stockholder litigation .....	-	(70,805)
Contributions of member's equity .....	-	17,500
Net cash (used in) provided by financing activities .....	<u>(16,896)</u>	<u>7,808</u>
Effect of exchange rate changes on cash .....	(187)	235
Net increase (decrease) in cash .....	<u>6,564</u>	<u>(5,301)</u>
<b>Cash</b>		
Beginning of year .....	<u>15,498</u>	<u>20,799</u>
End of year .....	<u>\$ 22,062</u>	<u>\$ 15,498</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest .....	\$ 28,145	\$ 32,402
Cash paid for income taxes .....	\$ 279	\$ 2,180
Purchases of property, plant and equipment in accounts payable .....	\$ 271	\$ 584

The accompanying notes are an integral part of these consolidated financial statements.



**The Better Being Co., LLC**  
**Notes to Consolidated Financial Statements**  
**September 30, 2022 and 2021**

(in thousands of dollars)

## **1. Description of Business**

The Better Being Co., LLC and its subsidiaries (the "Company", formerly known as Nutrition Topco, LLC) is an integrated manufacturer, marketer, distributor and retailer of high-quality branded nutritional supplements and other natural products sold primarily to and through (i) health and natural food stores, (ii) distributors, (iii) food, drug and mass ("FDM") retailers and (iv) e-commerce. Internationally, the Company markets and distributes branded nutritional supplements and other natural products to and through health and natural product distributors and retailers. The Company's core business strategy is to operate businesses in the natural products industry that manufacture, market and distribute branded nutritional supplements and other natural products.

The Company manufactures and sells nutritional supplements and other natural products under numerous brands, including *Solaray*<sup>®</sup>, *KAL*<sup>®</sup>, *Zhou Nutrition*<sup>®</sup>, *Nu U*<sup>®</sup>, *Heritage Store*<sup>®</sup>, *Life Flo*<sup>®</sup>, and *Zand*<sup>®</sup>.

The Company is a single member limited liability company, wholly owned by Norway Topco, L.P ("Norway Topco").

## **2. Summary of Significant Accounting Policies**

### **Principles of Consolidation**

The consolidated financial statements include the accounts of the Company and its subsidiaries. All intercompany transactions and balances are eliminated.

### **Use of Estimates**

The preparation of these consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of net sales and expenses during the reported periods. Significant estimates include values and lives assigned to acquired intangible assets, reserves for customer returns and allowances, uncollectible accounts receivable, valuation adjustments for slow-moving, obsolete and/or damaged inventory, valuation and recoverability of long-lived assets, valuation of stock-based compensation, and estimated recoverability of deferred income taxes. Actual results may differ from these estimates.

### **Cash**

The majority of the Company's cash was held by one bank as of September 30, 2022 and 2021. As a result of this concentration, the Company's cash balances frequently exceed federally insured limits. The Company does not believe it is subject to any other unusual risks because of this concentration other than those normally associated with commercial banking relationships. The Company considers interest bearing deposits with an original maturity date of three months or less to be cash equivalents.

### **Accounts Receivable, Net**

Accounts receivable, net consists primarily of trade receivables, presented net of allowance for doubtful accounts and discounts. Provision is made for estimated allowance for doubtful accounts based on a periodic analysis of individual customer balances, including an evaluation of days sales outstanding, payment history, recent payment trends, and perceived creditworthiness. Estimates for sales discounts are based on analysis of sales terms and historical trends.

### **Inventories, Net**

Inventories include freight-in, materials, labor and overhead costs and are stated at the lower of cost or net realizable value. The inventories cost is recorded at actual cost on a first-in first-out ("FIFO") basis. Valuation adjustments are made for slow-moving, obsolete and/or damaged inventory based on a periodic analysis of individual inventory items, including an evaluation of historical usage and/or movement, age, expiration date and general condition.



### **Assets Held for Sale**

Assets of a disposal group are classified as held for sale in the period when (i) the Company commits to a plan of action to sell the assets, (ii) the assets are available for immediate sale in their present condition, (iii) an active program to locate a buyer has been initiated and (iv) the sale of the assets is considered probable within one year. Assets of a disposal group classified as held for sale are separately disclosed on the consolidated balance sheets (Note 5).

### **Property, Plant and Equipment, Net**

Property, plant and equipment are stated at historical cost, less accumulated depreciation and amortization. Depreciation and amortization are calculated on a straight-line basis over the estimated economic useful lives of the respective assets. Expenditures for renewals and betterments are capitalized, whereas maintenance and repairs are charged to operating expense in the periods incurred. Upon sale or disposal of an asset, the historical cost and related accumulated depreciation or amortization of such asset are removed from their respective accounts and any gain or loss is recorded in the Consolidated Statements of Comprehensive Loss.

The Company evaluates the recoverability of property, plant and equipment whenever events or circumstances indicate that the carrying amount of an asset group may not be recoverable. The Company measures recoverability of an asset group by comparison of its carrying amount to the future undiscounted cash flows the asset group is expected to generate. If an asset group is considered to be impaired, the difference between the carrying amount and the fair value of the impaired asset group is recognized as an impairment charge. There were no impairments of the Company's property, plant and equipment during the years ended September 30, 2022 and 2021.

### **Goodwill and Intangible Assets, Net**

The Company assesses goodwill annually as of July 1 and at interim periods upon a potential indication of impairment. The Company performed qualitative assessments as of July 1, 2022 and 2021 and determined that it is not more likely than not that the fair value of the reporting unit is less than the respective carrying value. Specifically, the Company considered changes in macroeconomic conditions, industry and market conditions, internal forecasts of future revenue and expenses, any significant events affecting the Company and actual changes in the carrying values of its net assets. If it is determined that it is more likely than not that the fair value of a reporting unit is less than its carrying amount or if a qualitative assessment is not performed, then the Company would perform the quantitative goodwill impairment test as required, in which it would use a discounted cash flow approach to estimate the fair value of a reporting unit. If the fair value of the reporting unit is less than the carrying value, then an impairment amount is recorded for the difference. There were no impairments of the Company's goodwill during the years ended September 30, 2022 and 2021.

Intangible assets consist of trademarks and trade names, customer relationships, and noncompete agreements. Amortization is calculated on a straight-line basis over the useful life of the asset. The Company assesses its finite-lived intangible assets for impairment if indicators exist or changes in circumstances suggest that impairment indicators may exist. Factors that could trigger an impairment review include significant under-performance relative to expected historical or projected future operating results, significant changes in the manner of the Company's use of the acquired assets or the strategy for the overall business or significant negative industry or economic trends. If this evaluation indicates that the value of the intangible asset may be impaired, the Company assesses the recoverability of the net book value of the asset over its remaining useful life. If this assessment indicates that the intangible asset is not recoverable, based on the estimated undiscounted future cash flows of the asset over the remaining amortization period, the Company reduces the net book value of the related intangible asset to fair value and may adjust the remaining amortization period. There were no impairments of the Company's finite-lived intangible assets during the years ended September 30, 2022 and 2021.

### **Deferred Financing Fees**

The Company deferred certain debt issuance costs, including bank, legal and other fees, related to the establishment of its term loans and revolving credit facilities (Note 9). These costs are being amortized using the effective interest method for the term loans and using the straight-line method for the revolving credit facilities. On the consolidated balance sheets, unamortized deferred financing fees for the term loans are included net of the term loan debt, and unamortized deferred financing fees for the revolving credit facilities are included in other noncurrent assets.



## **Foreign Currency Translation**

The functional currency of each of the Company's foreign subsidiaries and branches is the local currency. All assets and liabilities of foreign subsidiaries and branches are translated into U.S. dollars at fiscal year-end exchange rates. Income and expense items are translated at exchange rates prevailing during the year. The resulting translation adjustments, net of income taxes, are recorded in accumulated other comprehensive income (loss), which is a component of member's equity. The Company recorded translation adjustments of (\$2,175) and \$1,053, net of income taxes of \$796 and (\$288) for the years ended September 30, 2022 and 2021, respectively.

## **Revenue Recognition**

Revenue is accounted for under Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers* ("ASC 606"). ASC 606 outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. Under this standard and its related amendments, an entity recognizes revenue when its customer obtains control of promised goods or services, in an amount that reflects the consideration which the entity expects to receive in exchange for those goods or services.

The core principle of ASC 606 is that a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. Revenue is measured based on consideration specified in a contract with a customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control of goods to a customer. ASC 606 also requires disclosures sufficient to enable users to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers, including qualitative and quantitative disclosures about contracts with customers and significant judgments. The Company enters into contracts with its customers for the sale of goods in the ordinary course of business. The Company recognizes revenue when performance obligations under the terms of a contract with its customer are satisfied, which occurs with the transfer of control of the product(s) to the customer.

The Company evaluates whether an enforceable contract exists with a customer. An enforceable contract states the contractual terms, including the parties' rights and the payment terms related to the goods to be transferred; and there is the ability and intention to pay the Company for the contracted product. The Company does not recognize revenue in situations where collectability from the customer is not probable, and it defers the recognition of revenue until collection is probable or payment is received and performance obligations are satisfied. The Company also evaluates if a contract has multiple promises and if each promise should be accounted for as separate performance obligations or as a single performance obligation. Multiple promises in a contract are typically separated if they are distinct, both individually and in the context of the contract. The Company's contracts generally contain multiple promises that are distinct individually and in the context of the contract.

## **Description of Revenue**

The Company generates revenue through the sale of products, directly or through distributors, to health and natural food stores, mass retailers, third-party e-commerce marketplaces, professionals, and supermarkets. The following is a description of the various channels through which the Company sells its products:

**Natural and Specialty Retail:** This channel consists of domestic retailers including independent health and natural food stores and health and natural food stores affiliated with local, regional, and national chains.

**Online:** This channel consists of third-party e-commerce retailers that primarily focus on selling natural products and supplements on their own websites, sales through third-party marketplaces such as Amazon and other resellers authorized by the Company, and sales to individual online consumers through a variety of forms including the Company's operated e-commerce sites and third-party platforms such as the Amazon storefront, Shopify, and eBay.

**International Retail:** This channel consists of international retailers such as health food stores, supermarkets, drugstores, and warehouse clubs.

**Food, Drug and Mass ("FDM"):** This channel consists of domestic and international retailers including grocery, drug and mass merchant stores, such as Target, Kroger, and Walmart.



Other: This channel primarily consists of sales to health practitioners that provide professional-grade supplements and natural products to patients, and private label sales through Monarch Nutraceuticals, a subsidiary of Nutraceutical, which markets branded bulk products and custom blends primarily to manufacturers and distributors.

#### *Satisfaction of Performance Obligations*

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer. The transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. Sales contracts (purchase orders) typically contain several performance obligations, as customers generally contract for multiple products within a single contract, and each product is capable of being distinct. Performance obligations are satisfied at the point in time in which the customer takes control of the product, upon shipment or delivery, depending on the terms of the underlying contract. For the majority of the Company's products, control is transferred and revenue is recognized when the product is shipped from the Company's distribution facility. If a contract contains more than one performance obligation, the transaction price is allocated to each performance obligation based on the relative stand-alone selling price of the respective promised good or service.

#### *Determining the Transaction Price*

Revenue is recognized based on the transaction price, which is measured as the amount of consideration the Company expects to receive in exchange for transferring control of a product to a customer. When determining the transaction price, the Company estimates variable consideration to the extent that it is probable that a significant amount of cumulative revenue will not be reduced in the future. The primary sources of variable consideration for the Company are volume-based rebate programs, discounts, and product returns. Generally, these discounts and incentives are recorded as a reduction to revenue at the time of the initial sale. The Company estimates variable consideration using the expected-value method, which is based on sales terms with customers, historical experience, volume purchases, and known changes in relevant trends. There are no material instances where variable consideration is constrained and not recorded at the initial time of sale.

#### *Returns, Refunds, and Warranties*

In the normal course of business, the Company provides assurance-type warranties for products with agreed-upon specifications and that they are free from material defects. For a limited duration following initial sale, the Company offers its customers the right to return defective products for a full refund, or for a replacement of defective products. The Company records a refund liability based on anticipated sales returns. Sales returns are estimated based on sales terms, historical experience, and trend analysis. The refund liability is remeasured for changes in the estimate at each reporting date with a corresponding adjustment to net sales within the Consolidated Statements of Comprehensive Loss. For the years ended September 30, 2022 and 2021, the refund liability was \$309 and \$312, respectively.

#### *Principal vs. Agent Considerations*

U.S. GAAP requires the Company to evaluate a promise to transfer services to the customer (as the principal) or to arrange for services to be provided by another party (as the agent) using a control model. Based on evaluation of the control model, the Company determined that it primarily acts as the principal within its revenue arrangements with resellers.

#### *Shipping and Handling*

Freight and shipping costs billed to customers concurrent with revenue producing activities is included within net sales, and the cost for inbound freight is recognized as an expense within cost of sales when control has transferred to the customer. The Company has elected to treat shipping and handling associated with outbound freight that occurs after control of the related good transfers to the customer as a fulfillment cost instead of as a separate performance obligation. The Company recognizes the cost for shipping and handling (i.e. outbound freight costs) when incurred as an expense in distribution expense.



## *Contract Costs*

Applying the practical expedient, the Company recognizes the incremental costs of obtaining contracts as an expense when incurred if the amortization period of the assets that the Company otherwise would have recognized is one year or less. These costs are included in selling, general, and administrative expenses.

## **Research and Development**

The Company expenses research and development costs as incurred, and such costs are included in selling, general and administrative expenses. For the years ended September 30, 2022 and 2021, the Company incurred \$4,718 and \$6,385, respectively, in research and development expense, primarily related to product development.

## **Advertising**

The Company expenses advertising costs as incurred. These costs are included in selling, general and administrative expenses. For the years ended September 30, 2022 and 2021, the Company incurred \$30,788 and \$23,402, respectively, in advertising expenses.

## **Income Taxes**

The Company accounts for income taxes using the asset and liability method, which requires the Company to record deferred tax assets and liabilities for the differences between the financial statement and tax bases of assets and liabilities using the expected applicable future tax rates. Valuation allowances are established when necessary to reduce deferred tax assets to the amounts expected to be ultimately realized.

The Company accounts for uncertainty in income taxes using a two-step process. The Company first determines whether it is more likely than not that a tax position will be sustained upon examination by the tax authority. If a tax position meets the more-likely-than-not recognition threshold, it is then measured to determine the amount of benefit or loss to recognize in the financial statements. The Company's policy for recording interest and penalties related to income taxes, including uncertain tax positions, is to record such items as a component of the provision for income taxes (Note 11).

## **Accounting for Management Incentive Units**

The Company records compensation expense associated with management incentive units in accordance with Accounting Standards Codification ("ASC") Topic 718 ("*Share Based Payment*"). The Company accounts for forfeitures of units as they occur. The compensation expense related to all of the Company's incentive units compensation arrangements are recorded over the requisite service period as a component of selling, general and administrative expenses (Note 12).

## **New Accounting Standards**

In February 2016, the FASB issued ASU 2016-02, *Leases* ("Topic 842"). The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize right-of-use assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The Company intends to adopt the new standard on October 1, 2022. The Company is currently evaluating the impact this standard will have on its consolidated financial statements.

In June 2016, the FASB issued authoritative guidance, which is included in ASU 2016-13, *Financial Instruments — Credit Losses (Topic 326) Measurement of Credit Losses on Financial Instruments*. ASU 2016-13 requires an entity to utilize a new impairment model known as the current expected credit loss ("CECL") model to estimate its lifetime "expected credit loss" and to record an allowance that, when deducted from the amortized cost basis of the financial asset, presents the net amount expected to be collected on the financial asset. The CECL model is expected to result in more timely recognition of credit losses. ASU 2016-13 also requires new disclosures for financial assets measured at amortized cost, loans and available-for-sale debt securities. The Company intends to adopt the new standard on October 1, 2023. The Company is currently evaluating the impact this standard will have on its consolidated financial statements.

In December 2019, the FASB issued authoritative guidance, which is included in ASU 2019-12, *Income Taxes (Topic 740) Simplifying the Accounting for Income Taxes*. This ASU eliminates some exceptions to the general approach in ASC



Topic 740 and allows for a more consistent application of the guidance by clarifying certain aspects of the existing guidance. The Company intends to adopt the new standard on October 1, 2022. The Company is currently evaluating the impact this standard will have on its consolidated financial statements

In March 2020, the FASB issued authoritative guidance, which is included in ASU 2020-04, *Reference Rate Reform (Topic 848) Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. ASU 2020-04 provides optional guidance for a limited period of time in order to ease potential issues relating to accounting for or recognizing the effects of reference rate reform on financial reporting. The Company intends to adopt the new standard on October 1, 2022. The Company is currently evaluating the impact this standard will have on its consolidated financial statements.

The Company periodically reviews new accounting standards that are issued. Although some of these accounting standards may be applicable to the Company, the Company has not identified any other new standards that it believes merit further discussion, and the Company expects that none would have a significant impact on its consolidated financial statements.

### 3. Accounts Receivable, Net

Accounts receivable, net of allowances for discounts and doubtful accounts, consist of the following:

	As of September 30,	
	2022	2021
Accounts receivable.....	\$ 31,754	\$ 45,883
Less allowances.....	(3,525)	(3,408)
	<u>\$ 28,229</u>	<u>\$ 42,475</u>

### 4. Inventories, Net

Inventories are comprised of the following:

	As of September 30,	
	2022	2021
Raw materials.....	\$ 37,184	\$ 38,518
Work-in-process.....	12,799	10,492
Finished goods.....	28,917	35,624
	<u>\$ 78,900</u>	<u>\$ 84,634</u>

### 5. Assets Held for Sale

As of September 30, 2020, the Company held for sale a manufacturing facility in Tulsa, Oklahoma and an office building in Park City, Utah. These assets were sold during the year ended September 30, 2021. For the year ended September 30, 2021, the fair market value less selling costs of the held-for-sale assets were less than the net carrying value of the relevant assets and accordingly an impairment charge of \$515 was recognized. There were no assets held for sale as of September 30, 2022 and 2021, respectively.

### 6. Property, Plant and Equipment, Net

Property, plant and equipment, net of accumulated depreciation and amortization, are comprised of the following:

	Estimated Useful Life in Years	As of September 30,	
		2022	2021
Land.....	-	\$ 118	\$ 3,657
Buildings.....	30	1,167	54,893
Leasehold improvements.....	1-3	2,958	2,799
Furniture, fixtures and equipment.....	1-10	56,828	51,874
		<u>61,071</u>	<u>113,223</u>



	Estimated Useful Life in Years	As of September 30,	
		2022	2021
Less: Accumulated depreciation and amortization .....		(39,435)	(40,580)
		<u>\$ 21,636</u>	<u>\$ 72,643</u>

During the year ended September 30, 2022 and 2021, the Company recorded losses on disposals of property, plant and equipment of \$197, and \$241, respectively, within losses on disposals of property, plant and equipment on the consolidated statements of comprehensive loss.

On September 26, 2022, the Company sold the majority of its buildings in Ogden, Utah. At the date of the sale, these buildings had an original cost of \$58,715 and related accumulated depreciation of \$12,063. The Company received net proceeds of \$48,753 related to this sale. In conjunction with the sale, the Company also entered into an operating lease agreement to leaseback these buildings. The initial term of the lease is 20 years with an initial annual rent amount of \$3,500, which increases annually on the anniversary of the lease inception by 2.50%. In conjunction with this sale-leaseback, a deferred gain of \$2,101 was recorded with \$105 of this deferred gain recorded as a current liability and \$1,996 recorded as a long-term liability.

As of September 30, 2022, the Company had no equipment under capital leases. As of September 30, 2021, the Company had equipment under capital leases totaling \$813 with accumulated depreciation and amortization of \$282.

Substantially all property, plant and equipment of the Company collateralized its debt obligations (Note 9). Depreciation and amortization of property, plant and equipment totaled \$11,616 and \$10,919 for the years ended September 30, 2022 and 2021, respectively, and is included in cost of sales for depreciation and amortization expense related to manufacturing assets, and selling, general and administrative expense for non-manufacturing assets.

## 7. Goodwill and Intangible Assets, Net

Goodwill is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized. The changes in the carrying amount of goodwill for the years ended September 30, 2022 and 2021 were as follows:

	Gross Carrying Amount
Balance as of September 30, 2020.....	\$ 152,886
Currency translation adjustment .....	199
Balance as of September 30, 2021.....	153,085
Currency translation adjustment .....	(883)
Balance as of September 30, 2022.....	<u>\$ 152,202</u>

The Company reviews goodwill for impairment on a reporting unit basis on July 1 of each year and whenever events or changes in circumstances indicate the carrying value of goodwill may not be recoverable. The Company performed qualitative assessments as of July 1, 2022 and 2021 and determined that it was not more likely than not that the fair value of the reporting unit was less than the respective carrying value. Subsequent to July 1, 2022 through September 30, 2022, the Company did not identify any changes in circumstances that would indicate the carrying value of goodwill may not be recoverable. Significant adverse changes in future periods could negatively affect the Company's key assumptions and may result in future goodwill impairment charges which could be material.



The carrying amounts of identifiable intangible assets as of September 30, 2022 and 2021 were as follows:

September 30, 2022				
	Amortization Period (Years)	Gross Carrying Amount (1)	Accumulated Amortization (1)	Net Carrying Amount
Customer relationships .....	4-17	\$ 125,232	\$ (39,445)	\$ 85,787
Trademarks/Trade names.....	2-10	46,814	(32,499)	14,315
Noncompete agreements.....	3	364	(364)	-
Total intangible assets .....		<u>\$ 172,410</u>	<u>\$ (72,308)</u>	<u>\$ 100,102</u>

  

September 30, 2021				
	Amortization Period (Years)	Gross Carrying Amount (1)	Accumulated Amortization (1)	Net Carrying Amount
Customer relationships .....	4-17	\$ 125,899	\$ (31,938)	\$ 93,961
Trademarks/Trade names.....	2-10	47,161	(27,337)	19,824
Noncompete agreements.....	3	444	(389)	55
Total intangible assets .....		<u>\$ 173,504</u>	<u>\$ (59,664)</u>	<u>\$ 113,840</u>

(1) Amounts include the impact of foreign currency translation adjustments.

Aggregate amortization expense related to intangible assets totaled \$13,520 and \$14,552 for the years ended September 30, 2022 and 2021, respectively.

Estimated future amortization expense related to intangible assets as of September 30, 2022 was as follows:

Year Ending September 30,	Estimated Amortization Expense
2023 .....	\$ 11,515
2024 .....	10,190
2025 .....	10,022
2026 .....	9,530
2027 .....	9,281
Thereafter.....	49,564
	<u>\$ 100,102</u>

## 8. Accrued Expenses

Accrued expenses were comprised of the following as of September 30, 2022 and 2021:

	Year ended September 30,	
	2022	2021
Debt interest.....	\$ 7,064	\$ 91
Employee payroll, taxes, benefits, and other compensation .....	3,904	6,537
Other accrued expenses.....	815	1,559
	<u>\$ 11,783</u>	<u>\$ 8,187</u>



**9. Debt**

As of September 30, 2021, the Company's debt consisted of (i) a \$347,500 senior secured term loan, (ii) a \$52,500 senior secured delayed draw term loan and (iii) a \$25,000 senior secured revolving facility. The maturity date on the term loan and the delayed draw term loan is September 30, 2026. The maturity date on the revolving facility is September 30, 2025.

On September 26, 2022, the Company amended its credit agreement (the "Amended Credit Agreement"). The primary changes made in the Amended Credit Agreement included increasing the maximum allowable total leverage ratio, adding a minimum liquidity covenant which requires the Company to keep a certain level of cash on hand, and required that \$36,360 of the proceeds from the sale-leaseback of certain of the Company's Ogden, Utah facilities (Note 6) be used to paydown the term loan principal balance. No changes were made to the term loan or revolving facility commitment amounts or maturity dates. For the years ended September 30, 2022 and 2021, the Company paid financing fees of \$1,220 and \$141, respectively, related to the credit agreement, which are being expensed over the term of the credit agreement using the effective interest method for the term loan.

Debt under the Amended Credit Agreement was comprised of the following as of September 30, 2022:

	<u>Principal Outstanding</u>	<u>Unamortized Deferred Financing Fees</u>	<u>Net Balance Outstanding</u>
Term loan .....	\$ 346,140	\$ (6,344)	\$ 339,796
Less current portion of term loan .....	(10,000)	-	(10,000)
Total term loan.....	<u>\$ 336,140</u>	<u>\$ (6,344)</u>	<u>\$ 329,796</u>
Revolving credit facility.....	\$ 25,000	-	\$ 25,000
Total long-term debt, net .....	<u>\$ 361,140</u>	<u>\$ (6,344)</u>	<u>\$ 354,796</u>

Debt under the Amended Credit Agreement was comprised of the following as of September 30, 2021:

	<u>Principal Outstanding</u>	<u>Unamortized Deferred Financing Fees</u>	<u>Net Balance Outstanding</u>
Term loan .....	\$ 392,500	\$ (6,326)	\$ 386,174
Less current portion of term loan .....	(10,000)	-	(10,000)
Total term loan.....	<u>\$ 382,500</u>	<u>\$ (6,326)</u>	<u>\$ 376,174</u>
Revolving credit facility.....	\$ 16,500	-	\$ 16,500
Total long-term debt, net .....	<u>\$ 399,000</u>	<u>\$ (6,326)</u>	<u>\$ 392,674</u>

The following summarizes future minimum principal payments required under the Company's Amended Credit Agreement as of September 30, 2022:

	<u>Long-Term Debt</u>
2023 .....	\$ 10,000
2024 .....	10,000
2025 .....	35,000
2026 .....	316,140
	<u>\$ 371,140</u>

Borrowings under the Amended Credit Agreement are collateralized by substantially all assets of the Company. The Company is required to make quarterly principal payments of \$2,500 under the Amended Credit Agreement. Beginning with



the year ending September 30, 2021 and for each fiscal year ending thereafter, the Company may be required to make additional mandatory payments of the term loan with certain excess cash flow amounts (as set forth in the Amended Credit Agreement), with customary exceptions. No such additional mandatory payments were made during the years ended September 30, 2022 and 2021. At the Company's election, borrowings bear interest at the applicable Eurodollar Rate plus a variable margin or at a Base Rate plus a variable margin. As of September 30, 2022, the variable margin rate under the New Credit Agreement was 9.81%. The Company is also required to pay a quarterly fee on the unused balance of the revolving facility of 0.50%. Accrued interest is payable based on elected intervals of one or three months.

The Amended Credit Agreement contains restrictive covenants, including restrictions on incurring other indebtedness and requirements that the Company maintain certain financial ratios. As of September 30, 2022, the Company was in compliance with the Amended Credit Agreement. Upon the occurrence of a default, the lender has various remedies or rights, which may include proceeding against the collateral or requiring the Company to repay all amounts outstanding under the Amended Credit Agreement.

## 10. Fair Value Measurements

The Company categorizes assets and liabilities measured at fair value into three levels based upon the assumptions (inputs) used to price the assets or liabilities. Level 1 provides the most reliable measure of fair value, whereas Level 3 generally requires significant management judgment. The three levels are defined as follows:

Level 1 — Observable inputs such as quoted market prices in active markets for identical assets or liabilities.

Level 2 — Observable market-based inputs or unobservable inputs that are corroborated by market data.

Level 3 — Unobservable inputs for which there is little or no market data, which require the use of the reporting entity's own assumptions.

The Company believes that the fair values of financial instruments, including cash, accounts receivable, accounts payable, and long-term debt, net approximate their respective carrying values as of September 30, 2022 and 2021. The carrying values of cash, accounts receivable and accounts payable approximate their fair values based on their short-term nature. The carrying value of long-term debt, net approximates its fair values because borrowings under the Company's long-term debt arrangements bear interest at the variable rates described in Note 9. The fair value of the long-term debt, net, was determined using inputs that are classified as Level 2 in the fair value hierarchy.

## 11. Income Taxes

Consolidated loss before provision for income taxes consists of the following for the years ended September 30, 2022 and 2021:

	2022	2021
U.S. ....	\$ (61,180)	\$ (21,023)
Foreign .....	(1,343)	(1,212)
Total loss before income taxes .....	<u>\$ (62,523)</u>	<u>\$ (22,235)</u>

For the years ended September 30, 2022 and 2021, (benefit) for income taxes included:

	2022	2021
<b>Current</b>		
Federal .....	\$ -	\$ 98
State .....	125	326
Foreign .....	158	(49)
	<u>283</u>	<u>375</u>
<b>Deferred</b>		
Federal .....	(4,237)	(4,468)
State .....	(1,874)	(500)
	<u>(6,111)</u>	<u>(4,968)</u>
	<u>\$ (5,828)</u>	<u>\$ (4,593)</u>



The differences between income taxes at the statutory federal income tax rate and income taxes reported in the Consolidated Statements of Comprehensive Loss are as follows:

	2022	2021
Federal income tax at statutory rate of 21% .....	\$ (12,848)	\$ (4,628)
State taxes, net of federal benefit .....	(2,155)	(1,010)
Nondeductible expenses .....	410	441
Change in tax rates .....	(549)	(717)
Credit for increasing research activities .....	(1,641)	(938)
Change in valuation allowance .....	11,865	2,545
Other .....	(910)	(286)
	<u>\$ (5,828)</u>	<u>\$ (4,593)</u>

As of September 30, 2022 and 2021, the composition of deferred income tax liabilities, net was as follows:

	2022	2021
<b>Deferred income tax assets (liabilities), net</b>		
Accounts receivable reserves .....	\$ 865	\$ 872
Inventory valuation adjustments .....	2,350	1,988
Property, plant and equipment .....	(2,769)	(2,742)
Intangible assets .....	(21,031)	(23,683)
Section 163(j) interest limitation carryforwards .....	19,336	10,239
Unrealized (gains) losses .....	433	(289)
Domestic net operating loss carryforwards .....	6,987	2,508
Foreign net operating loss carryforwards .....	1,463	1,761
Tax credit carryforwards .....	2,731	939
	<u>10,365</u>	<u>(8,407)</u>
Less: Valuation allowance .....	<u>(15,968)</u>	<u>(4,103)</u>
	<u>\$ (5,603)</u>	<u>\$ (12,510)</u>

As of September 30, 2022 and 2021, the Company had foreign net operating loss carryforwards of \$6,560 and \$8,055, respectively. If not used, loss carryforwards of \$2,261 will expire between 2022 and 2041; loss carryforwards totaling \$4,299 do not expire. During the year ended September 30, 2022, the change in valuation allowance of \$11,865 relates to changes in foreign and state net operating losses, state tax credits, and Sec. 163(j) interest limitations. Management has recorded a valuation allowance on certain deferred tax assets that they believe are not more-likely-than-not to be realized in the near future.

As of September 30, 2022 and 2021, the Company had \$19,570 and \$7,350 in federal net operating loss carryforwards, respectively. The federal net operating loss has an indefinite carryover, and utilization of the net operating loss is subject to taxable income limitations. As of September 30, 2022 and 2021, the Company had foreign tax and research and development tax credit carryforwards of approximately \$2,967 and \$1,036, respectively. If not used, will expire between 2023 and 2041.

Uncertain tax positions are recorded when it is more likely than not that a given tax position would not be sustained upon examination by taxing authorities. As of September 30, 2022 and 2021, the Company had no uncertain tax positions that required recognition or disclosure in its Consolidated Statements of Comprehensive Loss.

The Company files income tax returns in the United States federal jurisdiction, various U.S. state jurisdictions and certain foreign jurisdictions. The Company is no longer subject to U.S. federal tax examinations for fiscal years before 2019. The Company is no longer subject to examination in any U.S. state jurisdiction or foreign jurisdiction for fiscal years prior to 2017.



## 12. Capital Stock

### *Stockholder Litigation*

On August 23, 2017, Nutrition Sub, Inc., a wholly owned subsidiary of the Company, merged with the Company pursuant to the Merger Agreement dated as of May 21, 2017. Under the terms and subject to the conditions of the Merger Agreement, holders of Nutraceutical's common stock at the effective time of the merger were entitled to receive \$41.80 per share, without interest. At the time of the merger, stockholders holding 1,271,746 shares of Nutraceutical common stock dissented from the \$41.80 per share offer price and filed suit in the Delaware Court of Chancery demanding that the court determine the fair value of their shares. During the year ended September 30, 2018, certain stockholders withdrew their assertion of appraisal rights in exchange for a payment totaling \$11,057. As of September 30, 2019, a liability of \$48,748 was recorded to account for the remaining stockholder litigation shares plus interest of \$3,444.

For the year ended September 30, 2020, the Company recognized \$32,441 in legal settlement expenses comprised of \$17,500 in association with the Weiss, et al. vs. Michael Burke, et al. litigation, \$11,000 in association with the appraisal to settle the Brookdale International Partners, LP, et al. vs. Nutraceutical International Corporation litigation, and an additional \$3,941 in legal fees. See below for further details on the two cases.

### *Brookdale International Partners, LP, et al. vs. Nutraceutical International Corporation*

During the year ended September 30, 2020, the Company settled the appraisal demands of a number of the stockholders by paying a total of \$10,350. As of September 30, 2020, a liability of \$33,855 was recorded to account for the remaining shares, plus liabilities for interest of \$8,226 and a premium of \$11,000. The Company paid \$52,265 in October 2020 and \$1,000 in April 2021 to satisfy the appraisal demands of the remaining stockholders. There was no remaining liability as of September 30, 2021 for this matter.

### *Weiss, et al. vs. Michael Burke, et al.*

On May 13, 2020, the Company received a notice of a separate lawsuit brought by a former public stockholder of the Company against the former public Directors of the Company ("Former Directors") and HGGC, alleging that the Former Directors — aided by HGGC — breached their fiduciary duties in connection with the Company's sale to HGGC in 2017. The Company has an obligation to indemnify the Former Directors and HGGC for any losses arising out of that litigation. On April 15, 2021, the parties to that lawsuit and the Company stipulated to settle the lawsuit for \$17,500, subject to the approval of the court. During the year ended September 30, 2020, the Company expensed and accrued \$17,500 in the consolidated financial statements related to this lawsuit. As the full amount was paid during the year ended September 30, 2021, no future obligations existed related to this litigation as of September 30, 2021.

Another lawsuit was filed on May 28, 2020, also alleging that the Former Directors breached their fiduciary duties in connection with the Company's sale to HGGC in 2017. This lawsuit was voluntarily dismissed on June 16, 2020.

### *Management Incentive Units*

Norway Holdings, LP and Norway Topco have issued grants of Class B and Class C incentive units, respectively, (collectively "Incentive Units") to select employees and management of the Company, and the related expense is pushed down to the Company. Each unit represents a fractional part of the limited partner interest. Norway Holdings, LP, reserved 12,258,829 Class B Units for issuances to existing or new employees, officers, directors, consultants or other service providers of the partnership or any of its subsidiaries. In July 2019, it was determined that no additional grants of Class B units would be made. Norway Topco reserved 20,819,940 Class C units for issuances to existing or new employees, officers, directors, consultants or other service providers of the partnership or any of its subsidiaries.

The Class B incentive units vest over five years with 20% vesting no later than one year after the date of grant ("Initial Vesting Date") with the remaining units vesting an additional 10% on the last day of each of the eight consecutive six-month periods following the Initial Vesting Date. Upon the occurrence of a change of control, all units that have not yet vested shall become fully vested. Vested units will receive distributions in the event that certain defined performance thresholds are met.

The Class C incentive units vest over five years with 20% vesting no later than one year after the date of grant ("Initial Vesting Date") with the remaining units vesting an additional 10% on the last day of each of the eight consecutive six-month periods following the Initial Vesting Date. Upon the occurrence of a change of control, all units that have not yet vested shall become fully vested.



The Company values the Incentive Units with the assistance of third-party valuation experts at the respective date of the grant. These third-party valuations were performed in accordance with the guidance outlined in the American Institute of Certified Public Accountants' Accounting and Valuation Guide, Valuation of Privately-Held-Company Equity Securities Issued as Compensation.

The assumptions underlying the valuations represent management's best estimates, which involve inherent uncertainties and the application of management judgment. As a result, if factors or expected outcomes change and the Company uses significantly different assumptions or estimates, equity-based compensation expense could be materially different. The fair value of the units was estimated at the grant date using the Black-Scholes Option Pricing model.

The following table reflects Class B Unit activity for the periods indicated (numbers in ones):

	Number of B Units Available to Issue	Number of B Units Outstanding	Weighted- Average Grant Price
Balance as of September 30, 2020.....	-	10,352,361	\$ 0.2228
Units forfeited .....	-	(657,118)	0.2273
Balance as of September 30, 2021.....	-	9,695,243	\$ 0.2225
Units forfeited .....	-	(51,078)	0.2567
Balance as of September 30, 2022.....	-	9,644,165	\$ 0.2223

The fair value of the issued and outstanding Class B units as of September 30, 2022 was \$2,144. The weighted average remaining contractual life for Class B units outstanding as of September 30, 2022 was less than one year. The fair value of the issued and outstanding Class B units as of September 30, 2021 was \$2,157. The weighted average remaining contractual life for Class B units outstanding as of September 30, 2021 was approximately 1 year. The company recorded \$353 and \$365 in compensation expense related to Class B units for the years ended September 30, 2022 and 2021, respectively. As of September 30, 2022, the Company had approximately \$88 of future period compensation-based expense related to the Class B units.

The following table reflects Class C Unit activity for the periods indicated (numbers in ones):

	Number of C Units Available to Issue	Number of C Units Outstanding	Weighted- Average Grant Price
Balance as of September 30, 2020.....	4,543,084	16,276,856	\$ 0.3172
Units granted.....	(1,313,677)	1,313,677	0.6677
Units forfeited .....	316,637	(316,637)	0.3196
Balance as of September 30, 2021.....	3,546,044	17,273,896	\$ 0.3438
Units granted.....	(3,365,894)	3,365,894	0.1957
Units forfeited .....	4,109,203	(4,109,202)	0.4189
Balance as of September 30, 2022.....	4,289,353	16,530,588	\$ 0.2950

The fair value of the Class C units was determined at the respective date of grant. The fair value of the issued and outstanding Class C units as of September 30, 2022 was \$4,876. The weighted average remaining contractual life for Class C units outstanding as of September 30, 2022 was approximately 2 years. The company recorded \$929 in compensation expense related to Class C units for the year ended September 30, 2022. The weighted average remaining contractual life for Class C units outstanding as of September 30, 2021 was approximately 4 years. The company recorded \$1,206 in compensation expense related to Class C units for the year ended September 30, 2021.

The following table lists the inputs to models used to calculate the fair value of the Class C Units granted during the year ended September 30, 2022:



	<b>Black-Scholes Option Pricing Model</b>
Fair value of units.....	\$ 0.1957
Exercise price.....	0.1957
Expected term (years), weighted average .....	3
Expected dividend yield .....	0%
Expected volatility .....	80.00%
Risk-free interest rate.....	2.80%

The following table lists the inputs to models used to calculate the fair value of the Class C Units granted during the year ended September 30, 2021:

	<b>Black-Scholes Option Pricing Model</b>
Fair value of units.....	\$ 0.6677
Exercise price.....	0.6677
Expected term (years), weighted average .....	2
Expected dividend yield .....	0%
Expected volatility .....	55.00% - 71.00%
Risk-free interest rate.....	0.10% - 0.24%

The grant date fair value of all Incentive Units is estimated using the Black-Scholes option pricing model. The pricing model requires assumptions, which include the expected life of the Incentive Units, the risk-free interest rate, the expected dividend yield and expected volatility of the units over the expected life, which significantly impacts the assumed fair value.

The expected term of the Incentive Units is based on the estimated time of a change in control at the grant date. Given there is no active external or internal market for the units at the date of the grant, a peer group of companies was used to calculate volatility. The risk-free interest rate was based on the rate of treasury securities with the same term at the time of the grant date. As of September 30, 2022, the Company had \$2,241 of future period compensation-based expense related to the Class C units. No income tax benefit was recognized for this compensation expense in the consolidated statements of comprehensive loss, as the Company does not anticipate realizing any such benefit in the future.

### **13. Employee Benefit Plans**

The Company has a 401(k) defined contribution profit sharing plan that covers substantially all employees. Under the plan, employees may contribute up to 75% of their compensation subject to certain exceptions and limitations. In addition, employees who meet certain age requirements may contribute additional amounts permitted by law under the plan. The Company makes matching contributions to the plan up to the first 4% of employee contributions and is permitted to make discretionary contributions under the plan. The amounts contributed to the plan by the Company were approximately \$1,427 and \$1,260 for the years ended September 30, 2022 and 2021, respectively.

### **14. Commitments and Contingencies**

The Company is involved in various legal matters arising in the normal course of business. The Company accrues anticipated costs of settlement, damages, losses for such legal matters and, under certain conditions, costs of defense, to the extent specific losses are probable and reasonably estimable, in accordance with ASC Topic 450. Otherwise, these costs are expenses as incurred. If the estimate of a probable loss is a range and no amount within the range is more likely than any other amount, the Company accrues the minimum amount of the range. Litigation and product liability matters are inherently uncertain, and the outcomes of individual matters are difficult to predict and quantify. As such, significant judgment is required in determining legal and product liability accruals. As of September 30, 2022, no liability was recorded for individual regulatory and legal matters in which the Company was involved as of that date. In the opinion of management, the individual regulatory and legal matters in which the Company was involved as of September 30, 2022 were not expected to have a material adverse effect on the Company's financial position, results of operations or cash flows. However, the aggregate liability of the Company arising from regulatory and legal proceedings related to future matters could have a material effect on the Company's financial position, results of operations or cash flows. Estimates related to legal and product liability accruals may change as additional information becomes available, including information related to the nature



or existence of claims against the Company, trial court or appellate proceedings, and mediation, arbitration or settlement proceedings.

## 15. Leases

The Company leases manufacturing, office, storage, and warehouse space as well as apartments, vehicles, and other equipment under noncancelable operating leases, the last of which expires during fiscal year 2042; however, the Company has negotiated extension options in many cases. These operating leases require the Company to pay all taxes, insurance, and maintenance.

The following summarizes future minimum lease payments required under the Company's significant noncancelable operating leases as of September 30, 2022:

Years Ending September 30,	Minimum Lease Payments
2023 .....	\$ 5,369
2024 .....	5,198
2025 .....	5,210
2026 .....	5,137
2027 .....	5,230
Thereafter.....	72,401
	<u>\$ 98,545</u>

Total rent expense incurred by the Company was \$2,527 and \$2,094 for the years ended September 30, 2022 and 2021, respectively. Prior to fiscal 2022, the Company entered into a capital lease for certain manufacturing equipment. This capital lease expired during the year ended September 30, 2022. Total payments for this capital lease obligation paid by the Company totaled \$243 and \$246 for the years ended September 30, 2022 and 2021, respectively.

## 16. Related Party Transactions

During the year ended September 30, 2022, the Company entered into promissory notes with HGGC L.P., M&S GP LLC and Sheetal Sharma totaling \$22,427. These parties are member owners of the Company. The promissory notes bear interest at 17.00% per annum with interest being capitalized quarterly and added into the outstanding principal balance of the promissory notes. The promissory notes mature during the year ending September 30, 2027 and there are no mandatory payments required before maturity except should a change in control occur before maturity. Accrued interest on these promissory notes totaled \$1,872 for the year ended September 30, 2022 resulting in a total balance of \$24,299 at September 30, 2022.

## 17. Subsequent Events

The Company evaluated subsequent events through November 16, 2022, the date the financial statements were available to be issued and determined there were no additional items that required further disclosure or recognition.